

Message Text

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20-L

ACTION EA-10

INFO OCT-01 EUR-12 ISO-00 PM-03 NSC-05 SP-02 SS-15 EB-07

TRSE-00 XMB-02 CIAE-00 INR-07 NSAE-00 L-02 FRB-03

OMB-01 CIEP-01 /071 W

----- 103667

P R 100815Z MAR 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 6968

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

AMCONSUL HONG KONG

AMEMBASSY SINGAPORE

AMEMBASSY MANILA

AMEMBASSY KUALA LUMPUR

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

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HONG KONG FOR TREASURY ATTACHE AND EXIM REPRESENTATIVE

DEPARTMENT PLEASE PASS EXIMBNK FOR WARREN GLICK;

TREASURY DEPARTMENT FOR COMPTROLLER OF CURRENCY; FEDERAL RESERVE

BOARD FOR BANK EXAMINATION BRANCH

E.O. 11652: N/A

TAGS: EFIN EALR ID

SUBJ: PERTAMINA FINANCING

REFS: A) JAKARTA 2783 (NOTAL)

2) EAL

1. INDONESIA'S CENTRAL BANK GOVERNOR RACHMAT SALEH

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ON MARCH 7 ADVISED ECON COUNSELOR ORALLY OF FOLLOWING

DECISIONS CONCERNING INDONESIAN GOVERNMENT AND
PERTAMINA FINANCIAL RELATIONSHIPS:

A) GOVERNMENT HAS KNOWN FOR SOME TIME OF PERTAMINA
FINANCIAL DIFFICULTIES AND HAS DECIDED TO ASSIST
PERTAMINA SO THAT IN NEAR FUTURE PERTAMINA CAN
SETTLE OVERDUE OBLIGATIONS AND MEET FORTHCOMING
OBLIGATIONS ON TIME.

B) GOVERNMENT AND PERTAMINA HAVE STILL TO
COMPLETE SOME ADMINISTRATIVE AND TECHNICAL PROCEDURES
NEEDED TO IMPLEMENT THIS DECISION. THESE REQUIRE
PRESENCE OF PERTAMINA'S PRESIDENT-DIRECTOR. (FROM
OTHER SOURCE EMBASSY UNDERSTANDS THAT GOI/PERTAMINA
MEETING SET FOR MARCH 11 FOR THIS PURPOSE, FOLLOWING
RETURN OF GENERAL IBNU MARCH 10 FROM OPEC CONFERENCE.)

C) SALEH ADVISED THAT GOVERNMENT HAS INSTRUCTED
PERTAMINA NOT TO ROLL OVER SHORT-TERM OBLIGATIONS
COMING DUE; INSTEAD GOVERNMENT WISHES THESE
OBLIGATIONS PAID OFF. (BI ESTIMATES \$650 MILLION
STILL OUTSTANDING.)

D) GOVERNMENT WILL UNDERTAKE ALL BORROWINGS FOR
PERTAMINA FOR INDEFINITE FUTURE AND INTENDS THAT
PERTAMINA SHALL NOT UNDERTAKE FURTHER ACTIVITIES
IN INTERNATIONAL MONEY MARKETS.

E) GOVERNOR AUTHORIZED EMBASSY TO CONVEY THIS
INFORMATION TO INTERESTED US FINANCIAL
INSTITUTIONS, AND TO REFER ANYONE SEEKING DIRECT
OFFICIAL CONFIRMATION TO FOLLOWING BI OFFICIALS:
MANAGING DIRECTORS DR. J.E. ISMAEL (FOREIGN DEPARTMENT),
MANAGING DIRECTOR J.A. SEREH (MONEY/CAPITAL MARKETS) OR IF NECESSARY
GOVERNOR RACHMAT SALEH--OR TO SENIOR PERTAMINA FINANCIAL
OFFICIALS. EMBASSY SUGGESTS FOLLOWING AS MOST AUTHORITATIVE
SOURCE IN PERTAMINA: IR. ANONDO, DIRECTOR FOR FINANCING.

2. FOREGOING CONFIRMS AND ADDS TO INFORMATION EMBASSY
HAD PREVIOUSLY RECEIVED AND GOES BEYOND STORIES
CIRCULATING IN FINANCIAL COMMUNITY THAT BI WOULD
MAKE GOOD ON SHORT-TERM PERTAMINA OBLIGATIONS. OUR
UNDERSTANDING IS THAT GOI AND BI DO NOT INTEND TO MAKE
PUBLIC ANNOUNCEMENT OR ISSUE WRITTEN STATEMENT ON
THIS MATTER AT THIS TIME BUT WILL INSTEAD RELY ON
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ORAL CONFIRMATIONS.

3. GOI NOW INTENSIVELY REVIEWING PERTAMINA FINANCING
NEEDS. EMBASSY HOPES TO GET READING THIS WEEK FROM
GOI ON ITS PLANS FOR PENDING PERTAMINA CREDIT
APPLICATIONS SUCH AS THOSE TO US EXIMBANK FOR
AROMATICS PLANT AND CILACAP REFINERY CHANGE OF SCOPE.

4. DEPARTMENT MAY CITE DECISIONS PARA 1 ABOVE IN DISCUSSIONS WITH US BANK REPRESENTATIVES AND MAY WISH TO CONTACT HEADQUARTERS OF MAJOR US BANKS WITH SUBSTANTIAL INTERESTS IN INDONESIA, INCLUDING FNCB, CHASE, FIRST NATIONAL OF CHICAGO, MARINE MIDLAND, CONTINENTAL-ILLINOIS, BANK OF AMERICA, AND AMERICAN EXPRESS AMONG OTHERS.

5. GOI/PERTAMINA MEETINGS BEGINNING MARCH 11 HOPEFULLY WILL CLARIFY SUCH KEY MATTERS AS WHETHER BI WILL ASSUME OR GUARANTEE OUTSTANDING PERTAMINA OBLIGATIONS OR WILL PROVIDE FUNDS FOR PERTAMINA TO MEET THEM.
NEWSOM

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Margaret P. Grafeld
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